DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, Maryland 21244-1850

January 18, 2006

Memorandum To: All Part D Sponsors

Subject: Collaborative Next Steps

From: Mark B. McClellan, M.D., Ph.D., Administrator

As we move into the third week of implementing the Medicare Drug Benefit, I would like to thank you for your efforts in serving many millions of beneficiaries through the new prescription drug plans. As a result of your efforts, stand-alone prescription drug plans are now filling more than a million prescriptions a day, and hundreds of thousands of beneficiaries, especially dual-eligible beneficiaries, are starting to use their new coverage every day. We know you share our concern about ensuring that all beneficiaries in the program, especially our dual eligible beneficiaries, can use this coverage effectively. Consequently, we would like to recap some of the things we are doing together so we can continue to serve all beneficiaries effectively and continue to remain particularly sensitive to the needs of our most vulnerable beneficiaries.

Additional User Calls Scheduled

We are increasing the number of user calls to three a week until the end of February. The primary focus of these calls will be systems issues, and we anticipate that you and we will have the appropriate people participate. We are particularly interested in confirming that dual eligible beneficiaries are identified at the correct copayment level. We will send out a specific schedule of the calls via HPMS and the Part C and D listserv. However, please note that the first call will be this Friday (January 21st) from 3:30 to 5:00 PM EST, which may be accessed by using the same dial-in information used for our regular Wednesday calls. During the Friday call, we are particularly interested in specific analysis of the first data file on dual eligibles we sent to some of you on January 12th, as well as any initial reactions to the second file providing LIS status for all eligible individuals that we expect to provide you later today.

Updated Contact Information

Please confirm that we have complete and up-to-date details on casework contact information for your plan. As you know, this information is helping us better manage casework and ensure faster resolution. In addition to a CMS casework communication email address, this information should include your organization's designated emergency and pharmacy technical support contacts to assist CMS caseworkers in urgent situations. These contacts need to be

available 24 hours a day, seven days a week. It is also critical that your pharmacy hot line be a toll-free number. Finally, in terms of plan contact information, we need you to assure that your existing phone number for physicians to contact you to request an exception or appeal is up to date. We remind you that providers need both a toll-free phone number and a copy of your exception form so they have real and immediate access to your exceptions and appeals process. Establishing all of these contact points will enable us and you to respond quickly and effectively to the various situations that are coming to our attention during this initial phase of program implementation.

Transition Guidance

We want to remind you of recent communications on transition and copayment issues. We sent you letters on January 6th and 13th emphasizing the critical importance of plans upholding and further strengthening their transition policies and supporting timely responses for pharmacists. As we have noted in these communications, it is important that you have expedited systems in place to handle utilization management edits in a timely manner by ensuring pharmacists have adequate access to plan representatives who can resolve transition issues appropriately in real time so that undue burdens are not placed on beneficiaries.

It is important to recognize that the provision of a temporary supply of medications is intended to facilitate the transition process. In that regard, while all of you have committed to provide an initial 30 day supply that will be adequate in most cases, we appreciate that you will use sound judgment to extend that coverage in the special situations where a longer transition may be required for sound medical reasons. And to ensure that the 30 day period will be adequate in the vast majority of cases, it is important that the member be given clear guidance on how to proceed so that they are in the right place at the end of the 30 day period. We understand that you have systems in place that trigger a written notice to the member when you provide a transitional first fill of their prescription. The notice should explain that the supply is temporary, instruct the member to work with you and his or her physician to identify appropriate drug substitutions, explain the member's right to request a formulary exception, and describe the procedures for requesting such an exception. It is critical that the notice go to the beneficiary as soon as the prescription is filled so they have adequate time to reach resolution before they need a refill.

LIS Copayments

We also communicated with you about establishing expedited procedures for approval of low-income subsidy (LIS) cost sharing at the point of service when appropriate. We continue to be engaged with you in an intensive effort to ensure that all Medicare Prescription drug plans have accurate information about the correct cost sharing levels for dual eligible and other low-income subsidy beneficiaries in their plans. To that end, on January 12th, we sent a file to many of you containing information on dual eligible and other low income subsidy beneficiaries to support an initial phase of validating your membership/enrollment files so that a LIS enrollee eligible for a full subsidy is appropriately set up for a benefit that would adjudicate at the pharmacy for no more than the $2/$5 copay and institutionalized dual eligible beneficiaries with no copays.

The special TRR file we anticipate sending you today contains the premium subsidy levels and the LIS copay categories for dual eligibles and other low income subsidy beneficiaries. As with the previous file, you should use this information to validate your membership/enrollment files so that claims for LIS enrollees will adjudicate at the pharmacy at the appropriate cost sharing levels. More information regarding these files is contained in the attachments to this letter.

Disenrollments for Failure to Pay Premiums

We also want to remind you of our guidance on disenrollments for failure to pay premiums. As you know, our regulations and guidance provide PDPs and MA-PDs with reasonable discretion with respect to decisions concerning when to initiate disenrollment proceedings for an enrollee's failure to pay a plan's monthly premiums. At a minimum, plans must provide for a grace period of at least one month, and alert the individual of the delinquency and the possible consequences of failure to pay premiums. For new enrollees, plans must wait until notified by CMS of the actual premium for which the beneficiary is responsible before sending them a bill.

We recognize that plans need to collect premiums due in a timely manner, but we urge you to exercise appropriate judgment and discretion in initiating billing and disenrollment actions in any case where there may be doubt about the enrollee's subsidy status. It's important to keep in mind that incorrect premium billing may not only concern beneficiaries who have no premium obligations but also result in unnecessary administrative burden associated with refunding premiums that are collected in error.

In conclusion, I want to thank you for the important work you have already done to address start up issues as we continue together to implement the biggest change in Medicare in 40 years. While we have focused together on problems that need to be resolved, we can also share the satisfaction of knowing that we are serving millions of people successfully. I am confident that working together, we will continue to achieve noticeable progress solving outstanding issues and meeting beneficiary needs.

Attachment I

Special Marx LIS Transaction Reply Report

The record layout we will use is the current Marx Weekly/Monthly TRR, but only with the following fields populated. Other fields not listed will be filled with spaces. Please refer to the attached record layout titled, "Marx Special LIS Transaction Reply Report Record Layout."

Claim Number (HICN)
Surname
First Name
Middle Name
Sex Code
Date of Birth
Contract Number
State Code
County Code
Transaction Reply Code (for this file all Tics will = 167)
Transaction Type Code (for this file all Transaction Types = 01)
Effective Date
Part D Low-Income Premium Subsidy Level
Low-Income Co-pay Category

The definition of Transaction Reply Code 167 is "NEW LIS PREMIUM," but we are using this single code as a broad indicator for this special TRR for your plan to read both the Part D Low-Income Premium Subsidy Level and the Low-Income Co-pay Category fields for information that may be missing or needed in order to properly set the correct benefit level for the dual eligible or the LIS beneficiary.

It is expected this Special TRR will be sent to the plans sometime today. Please be on the lookout for this file since this is a Special TRR that is not the result of any transactions that your plan has submitted, is not linked to a Batch Completion Status Summary Report, and does not contain the normal entire set of data other than the minimum set of data to assist your plan in processing the critical LIS information.

If you have any questions, please contact the MMA Help Desk at 1-800-927-8069 or mmahelp@cms.hhs.gov

Attachment II

Marx Special LIS Transaction Reply Report Record Layout.

Field	Size	Position	Description
1. Claim Number	**12**	**1 – 12**	**Claim Account Number**
2. Surname	**12**	**13 – 24**	**Beneficiary Surname**
3. First Name	**7**	**25 – 31**	**Beneficiary Given Name**
4. Middle Name	**1**	**32 - 32**	**Beneficiary Middle Initial**
5. Sex Code	**1**	**33 - 33**	**Beneficiary Sex Identification Code** **0 = Unknown** **1 = Male** **2 = Female**
6. Date of Birth	**8**	**34 – 41**	**YYYYMMDD Format**
7. Filler	1	42	Space
8. Contract Number	**5**	**43 – 47**	**Plan Contract Number**
9. State Code	**2**	**48 – 49**	**Beneficiary Residence State Code**
10. County Code	**3**	**50 – 52**	**Beneficiary Residence County Code**
11. Filler	1	53	Space
12. Filler	1	54	Space
13. Filler	1	55	Space
14. Filler	1	56	Space
15. Transaction Reply Code	**3**	**57 – 59**	**167 = "NEW LIS PREMIUM" This Special TRR is using this single code as a broad indicator for the plan to update LIS information**
16. Transaction Type Code	**2**	**60 – 61**	**Transaction Type Code for this Special TRR is "01"**
17. Filler	1	62	Space
18. Effective Date	**8**	**63 – 70**	**YYYYMMDD Format;**
19. Filler	1	71	Space
20. Filler	3	72 – 74	Spaces
21. Filler	1	75	Space
22. Filler	8	76 – 83	Spaces
23. Filler	1	84	Space
24. Filler	12	85 - 96	Spaces
25. Filler	3	97 – 99	Spaces
26. Filler	8	100 – 107	Spaces.
27. Filler	8	108 – 115	Spaces.
28. Filler	5	116 – 120	Spaces
29. Filler	3	121 – 123	Spaces
30. Filler	8	124 – 131	Spaces
31. Filler	2	132 – 133	Spaces
32. Filler	1	134 – 134	Space
33. Filler	3	135 – 137	Spaces
34. Filler	8	138 – 145	Spaces

Field	Size	Position	Description
35. Filler	8	146 – 153	Spaces
36. Filler	1	154 – 154	Space
37. Filler	1	155 – 155	Space
38. Filler	1	156 – 156	Space
39. Filler	1	157 – 157	Space
40. Filler	3	158 – 160	Spaces
41. Filler	1	161 – 161	Space
42. Filler	1	162 – 162	Space
43. Filler	20	163 – 182	Spaces
44. Filler	15	183 – 197	Spaces
45. Filler	1	198 - 198	Space
46. Filler	20	199 – 218	Spaces
47. Filler	15	219 – 233	Spaces
48. Filler	1	234 - 234	Space
49. Part D Low-Income Premium Subsidy Level	**3**	**235 – 237**	**Part D low-income premium subsidy category:** **'000' = No subsidy,** **'025' = 25% subsidy level,** **'050' = 50% subsidy level,** **'075' = 75% subsidy level,** **'100' = 100% subsidy level**
50. Low-Income Co-Pay Category	**1**	**238 – 238**	**Definitions of the co-payment categories:** **'0' = none, not low-income** **'1' = $2/$5 (High)** **'2' = $1/$3 (Low)** **'3' = $0 (0)** **'4' = 15%** **'5' = Unknown**
51. Filler	8	239 - 246	Spaces
52. Filler	8	247 - 254	Spaces
53. Filler	8	255 - 262	Spaces
54. Filler	8	263 - 270	Spaces
55. Filler	8	271- 278	Spaces